

AMENDED IN SENATE MAY 27, 2014
AMENDED IN SENATE APRIL 22, 2014
AMENDED IN SENATE MARCH 24, 2014

SENATE BILL

No. 1210

**Introduced by Senator Lara
(Coauthors: Senators Correa, De León, and Steinberg)**

February 20, 2014

An act to add Article 23 (commencing with Section 70030) to Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code, relating to postsecondary education.

LEGISLATIVE COUNSEL'S DIGEST

SB 1210, as amended, Lara. Postsecondary education: California DREAM Loan Program.

Existing law establishes the University of California, under the administration of the Regents of the University of California, and the California State University, under the administration of the Trustees of the California State University, as 2 of the segments of public postsecondary education in this state. Existing law authorizes the regents and the trustees to require that mandatory systemwide fees and tuition, among other fees, be paid by students at campuses of the University of California and the California State University, respectively.

This bill would establish the California DREAM Loan Program. The bill would provide that, commencing with the 2015–16 academic year, a student attending a participating campus of the University of California or California State University may receive a loan, referred to as a DREAM loan, through the program if the student satisfies specified requirements, including a requirement that the student be exempt from

paying nonresident tuition or meet equivalent requirements adopted by the regents. The bill would require the Student Aid Commission, in collaboration with the participating campus, to certify that the student satisfies these requirements. The bill would require the student to affirm in writing that he or she satisfies one of these requirements, and would require the student to authorize the commission to access any information pertinent to certify that the student satisfies these requirements. The bill would require a participating campus to determine the amount of the loan offered to an individual student by the campus, subject to enumerated specifications.

The bill would state the intent of the Legislature that funds shall be appropriated in the annual Budget Act each fiscal year, commencing with the 2015–16 fiscal year, to participating campuses based upon the number of eligible students attending each respective campus who submitted a specified financial aid application during the prior academic year. The bill would require a participating campus to deposit these funds in a DREAM revolving fund established by each campus, subject to specified exceptions. The bill would require each participating campus to contribute its discretionary funds into its DREAM revolving fund so that the campus' contribution equals or exceeds ~~25%~~ *an increasing percentage, as specified*, of all funds in the ~~campus's~~ *campus'* DREAM revolving fund at the start of each academic year before DREAM loans are awarded for that academic year. The bill would require the California State University and the University of California to annually report to the Legislature as part of their respective annual financial aid reports the dollar amount of each DREAM loan awarded and number of students for whom a DREAM loan was awarded that academic year, and require each participating campus to annually report the total amount of funding in the institution's DREAM revolving fund, the annual amount contributed by the state, and the annual amount contributed by the institution to the institution's DREAM revolving fund, and the annual administrative costs of the DREAM Program at the institution.

The bill would require a participating campus to determine a student's eligibility for a DREAM loan, award DREAM loans to students, and establish mechanisms for recording the annual amount of the DREAM loan borrowed by each recipient, and the aggregate amount of DREAM loans borrowed by each recipient.

The bill would require the trustees and request the regents to adopt regulations providing for the withholding of institutional services from

current and former students who have been notified in writing that they are in default on DREAM loans.

The bill would provide that each participating campus is entitled to an administrative cost allowance to equal a specified amount for an award year if the campus advances funds through the DREAM Program to students that academic year.

The bill would provide that if a state court finds that a specified provision of this program or similar provision adopted by the Regents of the University of California is unlawful, the court may order, as equitable relief, that the participating campus subject to the lawsuit terminate all loans awarded pursuant to that provision without money damages, loans, or other retroactive relief being awarded, and that the California State University and the University of California are immune from any imposition of money damages, loans, or other retroactive relief for actions taken under this program.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. This act shall be known, and may be cited, as the
2 California DREAM Loan Act.

3 SEC. 2. The Legislature finds and declares all of the following:

4 (a) California has expanded access to higher education for
5 thousands of hard-working, high-achieving students who attended
6 and graduated from a California high school but were ineligible
7 to pay in-state tuition and fees to attend a campus of the California
8 State University and the University of California, including many
9 students who were denied access to state financial aid or financial
10 aid offered at these campuses.

11 (b) Since 2002, students have been exempt from paying
12 nonresident tuition and fees at the California Community Colleges,
13 the California State University, and the University of California
14 pursuant to Section 68130.5. Commencing in 2011, these students
15 were eligible for state financial aid or financial aid offered by these
16 public institutions. Nevertheless, many of these students remain
17 ineligible for federal student aid for reasons beyond their control.
18 Lack of access to federal student loans presents a substantial barrier
19 for these students to obtain a baccalaureate degree from the
20 California State University or the University of California.

1 (c) The California DREAM Loan Act addresses this barrier by
2 providing access to additional state aid so students may take full
3 advantage of the educational opportunities offered at the California
4 State University and the University of California.

5 (d) The California DREAM Loan Act represents an important
6 step in the state’s ongoing efforts to provide access to all
7 academically qualified students pursuing the dream of a college
8 or university degree. Through the enactment of this measure,
9 California will keep faith with the state’s longstanding promise to
10 make higher education accessible and affordable to every qualified
11 student.

12 SEC. 3. Article 23 (commencing with Section 70030) is added
13 to Chapter 2 of Part 42 of Division 5 of Title 3 of the Education
14 Code, to read:

15
16 Article 23. California DREAM Loan Program
17

18 70030. This article shall be known, and may be cited, as the
19 California DREAM Loan Program.

20 70031. The California DREAM Loan Program, which may
21 also be referred to as the DREAM Program, is hereby established.

22 70032. As used in this article, the following terms have the
23 following meanings:

24 (a) An “academic year” is July 1 to June 30, inclusive. The start
25 date of a session shall determine the academic year in which it is
26 included.

27 (b) “Award year” means one academic year, or the equivalent,
28 of attendance at a qualifying institution.

29 (c) “Commission” means the Student Aid Commission.

30 (d) “Cost of attendance” means the student’s tuition and fees,
31 books and supplies, living expenses, transportation expenses, and
32 any other student expenses used to calculate a student’s financial
33 need for purposes of federal Title IV student aid programs.

34 (e) “Enrollment status” means part-time status or full-time status
35 of a student at a qualifying institution.

36 (f) “Expected family contribution” means a student’s expected
37 family contribution calculated according to the federal
38 methodology pursuant to subdivision (a) of Section 69506 (as
39 established by Title IV of the federal Higher Education Act of
40 1965, as amended (20 U.S.C. Sec. 1070 et seq.)).

1 (g) “Financial need” means a student’s financial need calculated
2 pursuant to the federal financial need methodology (as established
3 by Title IV of the federal Higher Education Act of 1965, as
4 amended (20 U.S.C. Sec. 1070 et seq.)).

5 (h) “Instructional program” means a program of study that
6 results in the award of a baccalaureate degree or undergraduate
7 certificate, or undergraduate coursework in a program of study
8 leading directly to a first professional degree for which no
9 baccalaureate degree or undergraduate degree is awarded.

10 (i) “Participating institution” means any campus of the California
11 State University or the University of California that elects to
12 participate in the DREAM Program pursuant to the requirements
13 specified for a qualifying institution as set forth in this article.

14 (j) “Satisfactory academic progress” means those criteria
15 required by applicable federal standards published in Title 34 of
16 the Code of Federal Regulations. A participating institution may
17 adopt regulations defining “satisfactory academic progress” in a
18 manner that duplicates those federal standards.

19 70033. (a) Commencing with the 2015–16 academic year, a
20 student attending a participating institution may receive a loan
21 under the DREAM Program if the student satisfies all of the
22 following requirements:

23 (1) The student is exempt from paying nonresident tuition under
24 Section 68130.5, or meets equivalent requirements adopted by the
25 Regents of the University of California.

26 (2) The student applies for financial aid using the application
27 established by the Student Aid Commission pursuant to subdivision
28 (b) of Section 69508.5, known as the Dream Act Application.

29 (3) The student is enrolled at least half time in good standing
30 in an instructional program at a participating institution.

31 (4) The student is determined by the participating institution to
32 have financial need.

33 (5) The student maintains satisfactory academic progress at the
34 participating institution.

35 (6) The student is not incarcerated.

36 (7) The student is not in default on any federal student loan,
37 state student loan, or student loan issued by the California State
38 University or the University of California.

39 (8) The student is enrolled in a program eligible for participation
40 in the Cal Grant Program.

1 (b) (1) The Student Aid Commission or the participating
2 institution shall require the student to affirm in writing that he or
3 she satisfies the requirements of paragraph (7) of subdivision (a).

4 (2) A student seeking an award shall authorize the Student Aid
5 Commission to access any information pertinent to certify that the
6 student meets the requirements of subdivision (a).

7 (c) The Student Aid Commission, in collaboration with the
8 participating institution, shall certify that the student satisfies all
9 of the requirements specified in subdivision (a) before the
10 participating institution may issue an award to the student pursuant
11 to this article.

12 (d) The Legislature finds and declares that this article is a state
13 law within the meaning of Section 1621(d) of Title 8 of the United
14 States Code.

15 70034. (a) The amount of the DREAM loan offered to an
16 individual student by a participating institution shall be determined
17 by the institution, subject to the following provisions:

18 (1) The loan may not exceed the financial need of the student.

19 (2) No student may borrow more than four thousand dollars
20 (\$4,000) under this program within a single academic year.

21 (3) No student may borrow more than twenty thousand dollars
22 (\$20,000) in the aggregate under the program from any one
23 participating institution.

24 (b) The interest rate for loans issued under the program shall
25 be the same as the then-current interest rate for undergraduate
26 loans under the William D. Ford Federal Direct Loan Program.

27 (c) The standard repayment term for a DREAM loan shall be
28 10 years. Repayment shall commence following a six-month grace
29 period that begins when a student graduates or ceases to maintain
30 at least half-time enrollment in a degree or certificate program.

31 (d) Interest shall not accrue on a DREAM loan during periods
32 of at least half-time enrollment in a degree or certificate program
33 or during the six-month grace period specified in subdivision (c).

34 (e) Eligibility for deferment or forbearance of a DREAM loan
35 shall be determined by the participating institution in accordance
36 with the standards set forth in the William D. Ford Federal Direct
37 Loan Program.

38 (f) Participating institutions shall use a common promissory
39 note, approved by the Treasurer, to issue DREAM loans.

1 70035. (a) It is the intent of the Legislature that, each fiscal
2 year, funds shall be appropriated in the annual Budget Act to
3 participating institutions for purposes of the DREAM Program.

4 (b) The annual Budget Act shall allocate funding to participating
5 institutions based on the number of eligible students attending the
6 institution who applied for student financial aid pursuant to Section
7 69508.5 the prior academic year.

8 (c) Each participating institution shall deposit funds appropriated
9 pursuant to subdivision (a) in a DREAM revolving fund established
10 by each institution, subject to subdivision (e). DREAM loans shall
11 be awarded from, and DREAM loan repayments shall be deposited
12 into, these revolving funds.

13 ~~(d) Each participating institution shall annually contribute~~
14 ~~discretionary funds into its DREAM revolving fund so that the~~
15 ~~institution's contribution of funds equals or exceeds 25 percent of~~
16 ~~all funds in the institution's DREAM revolving fund at the start~~
17 ~~of each academic year before DREAM loans for that academic~~
18 ~~year are awarded.~~

19 *(d) At the start of each academic year, before DREAM loans*
20 *for that academic year are awarded, each participating institution*
21 *shall contribute discretionary funds into its DREAM revolving*
22 *fund so that the institution's contribution of funds equals or exceeds*
23 *the following amounts:*

24 *(1) Twenty-five percent of all funds for the institution's DREAM*
25 *revolving fund for the institution's first and second year of*
26 *participation.*

27 *(2) Thirty-three percent of all funds in the institution's DREAM*
28 *revolving fund for the institution's third and fourth year of*
29 *participation.*

30 *(3) Fifty percent of all funds in the institution's DREAM*
31 *revolving fund for the institution's fifth year of participation, and*
32 *every year thereafter.*

33 (e) A participating institution shall not receive any additional
34 state funds if the receipt of these funds would reduce the percentage
35 of the DREAM revolving fund derived from the institution's
36 contribution of funds to less than ~~25 percent~~ *the specified*
37 *percentage* of all funds in the institution's DREAM revolving fund
38 as described in subdivision (d).

39 (f) (1) In the event that an institution terminates its participation
40 in the DREAM Program, the institution shall continue to service

1 DREAM loans, collect DREAM loan repayments, and perform all
2 due diligence required by the federal Fair Credit Reporting Act
3 (15 U.S.C. Sec. 1681 et seq.) until the last students at that
4 institution issued loans under the DREAM Program prior to the
5 institution terminating its participation have repaid their loans.

6 (2) An institution described in paragraph (1) that terminates its
7 participation in the DREAM Program, shall annually repay all
8 funds provided by the state as the institution collects DREAM loan
9 repayments.

10 (g) (1) The California State University and the University of
11 California shall annually report to the Legislature as part of their
12 respective annual financial aid reports the dollar amount of each
13 DREAM loan awarded and number of students for whom a
14 DREAM loan was awarded that academic year.

15 (2) Each institution, including an institution described in
16 subdivision (f), shall annually report all of the following:

17 (A) The total amount of funding in the institution's DREAM
18 revolving fund.

19 (B) The annual amount contributed by the state to the
20 institution's DREAM revolving fund.

21 (C) The annual amount contributed by the institution to the
22 institution's DREAM revolving fund.

23 (D) The annual administrative costs of the DREAM Program
24 at the institution.

25 70036. Each participating institution is responsible for all the
26 following:

27 (a) The participating institution shall determine a student's
28 eligibility for a DREAM loan.

29 (b) The participating institution shall award DREAM loan funds
30 to students.

31 (c) The participating institution shall provide entrance and exit
32 loan counseling to borrowers that is generally comparable to that
33 required by federal student loan programs.

34 (d) The participating institution shall service DREAM loans,
35 collect DREAM loan repayments, and perform all of the due
36 diligence required by the federal Fair Credit Reporting Act (15
37 U.S.C. Sec. 1681 et seq.).

38 (e) The participating institution shall establish mechanisms for
39 recording the annual amount of the DREAM loan borrowed by
40 each recipient, and the aggregate amount of DREAM loans

1 borrowed by each recipient, in order to comply with the annual
2 and aggregate borrowing limits set forth in Section 70034.

3 70037. (a) The Trustees of the California State University and
4 the Regents of the University of California shall adopt regulations
5 providing for the withholding of institutional services from students
6 or former students who have been notified in writing at the
7 student's or former student's last known address that he or she is
8 in default on a loan or loans under the DREAM Program.

9 (b) (1) The regulations adopted pursuant to subdivision (a) shall
10 provide that the services withheld may be provided during a period
11 when the facts are in dispute or when the student or former student
12 demonstrates to either the Trustees of the California State
13 University or the Regents of the University of California, as
14 applicable, that reasonable progress has been made to repay the
15 loan or that there exists a reasonable justification for the delay as
16 determined by the institution. The regulations shall specify the
17 services to be withheld from the student, which may include, but
18 are not limited to, the following:

19 (A) The provision of grades.

20 (B) The provision of transcripts.

21 (C) The provision of diplomas.

22 (2) The services withheld pursuant to paragraph (1) shall not
23 include the withholding of registration privileges.

24 (c) "Default," for purposes of this section, means the failure of
25 a borrower to make an installment payment when due, or to meet
26 other terms of the promissory note under circumstances where the
27 institution holding the loan finds it reasonable to conclude that the
28 borrower no longer intends to honor the obligation to repay,
29 provided that this failure persists for 180 days for a loan repayable
30 in monthly installments, or 240 days for a loan repayable in less
31 frequent installments.

32 (d) This section shall not impose any requirement upon the
33 University of California unless the Regents of the University of
34 California, by resolution, makes this section applicable.

35 70038. (a) Each participating institution is entitled to an
36 administrative cost allowance for an award year if the institution
37 elects to advance funds under the DREAM Program to students
38 for that award year.

39 (b) The amount of the administrative cost allowance described
40 in subdivision (a) shall equal 5 percent of the institution's total

1 amount of DREAM loan funds awarded to students for the award
2 year that the participating institution advances funds to students
3 under the DREAM Program.

4 (c) Each participating institution may charge its administrative
5 cost allowance to its DREAM revolving fund.

6 (d) Each participating institution shall use its administrative
7 cost allowance to offset the cost of administering the DREAM
8 Program.

9 (e) Each participating institution is responsible for administrative
10 costs that exceed its administrative cost allowance.

11 70039. If a state court finds that Section 70033, or any similar
12 provision adopted by the Regents of the University of California,
13 is unlawful, the court may order, as equitable relief, that the
14 participating institution subject to the lawsuit terminate all loans
15 awarded pursuant to that statute or provision deemed unlawful by
16 a state court, but no money damages, loans, or other retroactive
17 relief, may be awarded. In an action in which a state court finds
18 that Section 70033 or any similar provision adopted by the Regents
19 of the University of California, is unlawful, the California State
20 University and the University of California shall be immune from
21 the imposition of any award of money damages, loans, or other
22 retroactive relief.